

Michael V. O'Brien
City Manager



CITY OF WORCESTER

May 1, 2012

TO THE WORCESTER CITY COUNCIL

COUNCILORS:

This communication is to inform you that the City has received “pending preliminary certification” for commercial, industrial, mixed use, and four-units and above residential property values from the Commonwealth’s Department of Revenue (DOR).

Property owners (of the categories detailed above) were mailed a copy of their parcel information sheet today. I have attached a copy of the accompanying letter and a sample parcel information sheet for your information. As you will note, this communication will include their preliminary FY 2012 assessed value. Fourth quarter tax bills will be based on their FY 2012 assessed value.

As you know, we’ve presented to the community in great detail the efforts that have gone into inspecting, collecting and analyzing property values as part of the City’s triennial revaluation. City and independent assessors, with oversight from DOR, reviewed 4,707 properties in accordance with all laws, regulations, DOR policies and established industry standards. This review included commercial (2,278), industrial (598), mixed use (608), and four-units and above residential (1,223) properties.

As part of the revaluation, property data was checked, double-checked and triple-checked through virtual reviews, full-field reviews and valuation reviews. All of this has taken far more time than expected, but it was most necessary and time well-spent. It was necessary to ensure fair and accurate valuations of properties based on the most reliable and current inventory of data for all 4,707 properties.

As cited in a previous memo (*attached*), the intensive review of each and every parcel revealed a previous practice of “manual overrides,” in which an assessor would manually enter a data element or formula into the assessment system and override the resultant valuation that should have been calculated by the system for that parcel. The resultant value was not based on the internal calculations of the system but instead was based on the artificial override as entered. All of these manual overrides were completely removed as part of this comprehensive effort for they have no relevance based on the current parcel or market conditions. The other previous practice we found extensively in our review was an unjustifiable “obsolescence” applied to a parcel.



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Functional or economic obsolescence entries reduced the value of a property due to certain existing physical characteristics and/or conditions beyond the property itself, such as negative economic forces. In essence, there is a reduction in value when this is applied to a parcel within the assessment system. These historic “obsolescence” entries were all removed as part of this effort and all properties, each and every one, were then assessed consistently with the exact same set of standards as established by law, regulation, statute, policy and the industry; the resultant information/ characteristics/ data were then entered into the assessment system. It is important to note that an increase in valuation can also be attributed to recent property improvements, expansions, investments, as well as expansions or investments previously missed by the City or under-assessed in the past.

I have attached a summary of the valuation percentage changes by category: commercial, industrial, mixed use, and four-units and above residential. You will note that most categories experience increases in assessed value in excess of 10% for the majority of the respective properties. The four-units and above residential properties are the exception – for the vast majority of these properties decrease in value. I cannot reiterate enough the consistent efforts that have gone into this revaluation effort of commercial, industrial, mixed use, and four-units and above residential parcel assessments: in-depth reviews/ analysis, site visits, quadruple checks (consultants, contract project manager, City Assessor and DOR) as well as data quality examinations by both the City and DOR.

There will be a public information session for property owners to speak with an assessor to discuss and review individual proposed values. This meeting will be held on:

**Monday, May 7 from 3:30 p.m. – 7 p.m.
Saint Spyridon Cathedral
102 Russell Street – Cotsidas Auditorium**

Property owners can also call Customer Service Center at 508-929-1300, Monday through Friday, 7:30 a.m. to 5:00 p.m., to set a date and time to speak with an assessor. The Assessor's Office, located at City Hall, 455 Main Street, Room 209, is open Monday through Friday during normal City Hall business hours (8:30 a.m. to 5:00 p.m.) and will hold extended office hours on Saturday, May 5th from 8:30 a.m. to 3:00 p.m., and Tuesday, May 8th and Wednesday, May 9th from 7:30 a.m. to 7 p.m. The public outreach process must close on May 9th at 7:00 p.m. to allow for final submission of all mandated requirements to the State's Department of Revenue.

Additional detailed information on the commercial, industrial, and mixed use properties will be available on the City of Worcester's Web site at www.worcesterma.gov/finance/assessing beginning on Thursday, May 3, 2012. This Web application allows one to query a particular parcel's assessed value information over five triennial revaluations (1999, 2002, 2005, 2008, 2012) and highlights/contrasts/compares these values per revaluation year to the overall comparable marketplace (City/ State by category) over that same time period. I will

provide Web site links to this Web application to your Honorable Body on Thursday, May 3.

It is my expectation that working collaboratively with the Mayor, this City Council and with the DOR, I will plan to submit a tax classification package to your Honorable Body for an advertised tax classification hearing(s) during the week of May 21st.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'M. O'Brien', with a long horizontal flourish extending to the right.

Michael V. O'Brien
City Manager

William J. Ford
City Assessor



CITY OF WORCESTER

May 1, 2012

Dear Property Owner:

Enclosed please find the parcel information that the Division of Assessing has collected and verified concerning your commercial property. This information was applied to produce your proposed property value for Fiscal Year 2012. This value is pending preliminary certification from the Commonwealth's Department of Revenue. Please take time to review your property's parcel information.

This is NOT your tax bill. Your fourth quarter tax bill will be based on this property value. It is anticipated that you will receive your fourth quarter tax bill by the end of May.

If you have questions or concerns about your parcel information or proposed Fiscal Year 2012 property value, I encourage you to attend the public information session detailed below. Assessors will be available to discuss and review your proposed value with you. *No appointment is necessary.*

Monday, May 7, 2012 from 3:30 p.m. – 7:00 p.m.

Saint Spyridon Cathedral

102 Russell Street – Cotsidas Auditorium

You can also call our Customer Service Center at 508-929-1300, Monday through Friday, 7:30 a.m. to 5:00 p.m., to set a date and time convenient for you to speak with an assessor. The Assessor's Office, located at City Hall, 455 Main Street, Room 209, is open Monday through Friday during normal City Hall business hours (8:30 a.m. to 5:00 p.m.) and will hold extended office hours on Saturday, May 5th from 8:30 a.m. to 3:00 p.m., and Tuesday, May 8th and Wednesday, May 9th from 7:30 a.m. to 7 p.m. The public outreach process must close on May 9th at 7:00 p.m. to allow for final submission of all mandated requirements to the State's Department of Revenue.

Please be advised that the City Hall Parking Garage is closed due to construction. Parking will be validated for visits to the Assessor's Office with issues related to the revaluation process at either Federal Square Parking Garage or Pearl Elm Parking Garage, which are both located in close proximity to City Hall.

Additional detailed information about your property is available on the City of Worcester's Web site at www.worcesterma.gov/finance/assessing. Thank you in advance for your cooperation.

Sincerely,

William J. Ford
City Assessor

Enclosure



CITY OF WORCESTER ASSESSMENT DEPARTMENT PARCEL INFORMATION

Ownership Information

SJS REALTY CORPORATION
C/O SAMPLE APARTMENT COMPLEX
61 UTILITY ST
WORCESTER, MA 01609-2336

Parcel Data

Parcel ID 02-046-00050
Address 38 SAMPLE ST
Lot Size .72
Property Type APT OVER 8

FY2012 Assessment as of January 01, 2011, statutory valuation date.

ASSESSED VALUE

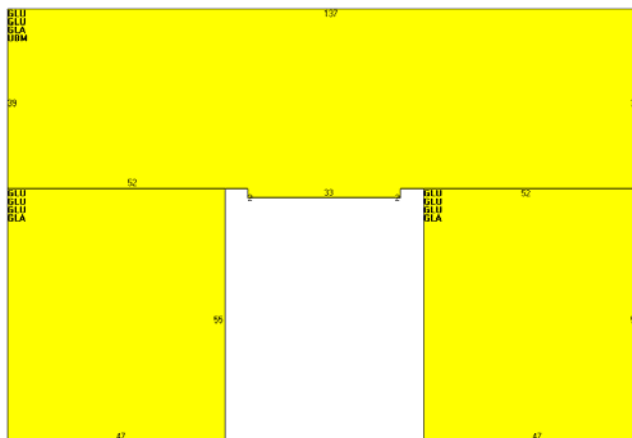
<i>FY2012 Building value:</i>	\$ 1,387,200
<i>FY2012 Land Value:</i>	\$ 630,000
<i>FY2012 Total Assessed Value:</i>	\$ 2,017,200
 <i>FY2011 Total Assessed Value:</i>	 \$ 2,150,900

BUILDING 1 OF 1

<i>Style:</i>	Low Rise Apartment
<i>Building Area</i>	36,907
<i>Stories</i>	4
<i>Condition:</i>	G
<i>Exterior Wall:</i>	Masonry

<i>Roof Material:</i>	T&G Resden
<i>Grade:</i>	AVE MASONRY
<i>Elevator Percent</i>	0
 <i>Sprinkler Percent</i>	 0
<i>Heat/AC Type:</i>	Steam

***OUTBUILDINGS/
EXTRA
FEATURES***



GLA - Gross Leasable Area GLU - Gross Leasable Upper UMB - Unfinished Basement FBM - Finished Basement

FISCAL YEAR TO YEAR % CHANGE IN VALUE (FY 2011 - FY 2012)

COMMERCIAL	# OF PARCELS	%
Decrease	385	17
Increase between 0 and 10%	354	16
Increase between 10% and 20%	317	14
Increase between 20% and 40%	498	22
Increase between 40% and 100%	540	24
Increase above 100%	174	8
New Parcels	10	0
TOTAL	2278	100

INDUSTRIAL	# OF PARCELS	%
Decrease	110	18
Increase between 0 and 10%	142	24
Increase between 10% and 20%	58	10
Increase between 20% and 40%	98	16
Increase between 40% and 100%	101	17
Increase above 100%	60	10
New Parcels	29	5
TOTAL	598	100

MIXED USE	# OF PARCELS	%
Decrease	372	61
Increase between 0 and 10%	97	16
Increase between 10% and 20%	46	8
Increase between 20% and 40%	50	8
Increase between 40% and 100%	35	6
Increase above 100%	7	1
New Parcels	1	0
TOTAL	608	100

APARTMENTS (FOUR - EIGHT UNITS)	# OF PARCELS	%
Decrease	722	76
Increase between 0 and 10%	106	11
Increase between 10% and 20%	70	7
Increase between 20% and 40%	31	3
Increase between 40% and 100%	13	1
Increase above 100%	1	0
New Parcel	4	0
TOTAL	947	100

APARTMENTS (NINE UNITS AND ABOVE)	# OF PARCELS	%
Decrease	165	60
Increase between 0 and 10%	44	16
Increase between 10% and 20%	19	7
Increase between 20% and 40%	33	12
Increase between 40% and 100%	9	3
Increase above 100%	5	2
New Parcel	1	0
TOTAL	276	100



Michael V. O'Brien
City Manager

CITY OF WORCESTER

cm2012apr06091657

Attachment for Item #

9.23 A

April 10, 2012

TO THE WORCESTER CITY COUNCIL

COUNCILORS:

This communication is to inform you that all 4,800 commercial properties—which include four-unit residential and above, commercial and industrial, and mixed use—have undergone multiple levels of review to ensure accuracy and that the quality of the data was consistently applied. This parcel information was then reviewed again by two independent, contracted appraisal firms.

Following this thorough review, the Assessor utilized the industry-standard income approach to generate a Fair Market Value for these properties. The income approach is most applicable to real estate that is normally bought and sold on the basis of its income-producing capabilities, such as retail stores, office buildings, apartment buildings and industrial properties. This approach requires significant data such as rents, occupancy rates, operating expense ratios and investor requirements. This approach is most useful in valuing investment properties where sufficient market sales are not available. The income approach considers the income stream that a property is likely to produce for an investor over a definite period of time. The process of capitalization converts the future benefits of ownership into present worth or market value. The elements of capitalization are income (I), rate (R) and value (V). The income approach formula is expressed as follows: value equals income divided by rate ($V = I/R$). This effort is now complete and these commercial property values were submitted to the Commonwealth's Department of Revenue on Tuesday, April 3.

Over the last few years, I've presented to the community in great detail the intensive efforts that have gone into modernizing decades-old assessment systems and standardizing assessing procedures. All of this has been a tremendous and extremely important undertaking that began in November of 2009 with a mandate from me to the Chief Financial Officer. I asked for a top-to-bottom review of the division when the new Assessor came on board in 2009—specifically to identify areas for improvement and efficiency, the use of technology, and the collection of data, all within the economic environment of limited resources.

We introduced new, DOR-approved computer technology and converted the data from the old system into a new assessment system, and integrated this new software with our new online permitting software to ensure there are no gaps between permitting new construction and the assessing process. We standardized data collection using the new systems (how data should be collected; how to define specific characteristics of real



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property; and how to effectively store, edit, and produce values using the applicable valuation technique(s) - market, income and replacement cost). In addition to all of this, we quadrupled checked each and every commercial/ industrial parcels. This is the most thorough revaluation that has ever been done in the City's history – for both residential and commercial properties.

After converting the data from the previous software to the new assessment system, and after our thorough review of each and every parcel information sheet, we uncovered a previous practice of “manual overrides” on as many as 2,000 commercial/ industrial parcels. These overrides would allow an assessor to manually enter a data element or formula into the assessment system and override the resultant valuation that should have been calculated by the system for that parcel. The resultant value was not based on the internal calculations of the system but instead was based on the artificial override. This manual override would continue, indefinitely, unless human intervention removed it and was not obvious when reviewing a previous property record. There may have been reasons for these overrides at one time (for example, fire damage, change of use, etc.), however, there is no documentation in the files or the notes as to why or when these manual overrides were placed. There was no element within the old software program that highlighted that this action was taken or that prompted staff to review on a year-to-year basis. It appears that some date as far back as 30 years as far as we could tell, with no supporting documentation as to why or when the adjustments were made.

All these manual overrides have been completely removed for they have no standing based on the current parcel or market conditions. Policies and procedures, as implemented as part and parcel of our holistic effort, will flag annually any override for internal review and audit.

The analysis of how these previous manual overrides may affect the commercial valuations of the parcels that had an override is underway. There are many factors that will affect the revaluations this year therefore there is no one-size-fits-all. It will also depend on how many years this manual override was in effect and how dramatic the difference is between this manually entered information and current market conditions (after override was removed) – along with all the data that the assessment system applies to derive fair and equitable valuations.

I knew and understood the potential to discover such previous practices and processes when undertaking such an intensive overhaul of these antiquated systems. As with all I have done as City Manager, I fix what I find, fix it once and correct it with systems and processes that hold all to the highest standards of accountability from the point of correction forward, and for perpetuity.

This overall undertaking has been arduous to say the least but critical in determining fair and accurate market values based on the current parcel/ market conditions. This intensive effort revealed just how antiquated previous systems were and the inconsistencies between previously entered data and current parcel/ market status. I am extremely cognizant of the compressed timelines we face, but I cannot sacrifice a high level of quality for expediency. We look forward to our continued work with DOR to secure preliminary certification and will keep you apprised of any and all information and status updates. I am convinced at this time that a May 1st mailing of 4th Quarter 2012 actual tax bills is more than optimistic and will likely be delayed.

Respectfully submitted,

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Michael V. O'Brien
City Manager